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Our Asia-Pacific Relations in the 1980s

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THE AMBASSADOR

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ADDRESS BY AMBASSADOR MIKE MANSFIELD
ANNUAL MEETING OF
AMERICAN TEXTILE MANUFACTURERS INSTITUTE, INC.
KAUAI, HAWAII, MARCH 27, 1980

OUR ASIA-PACIFIC RELATIONS IN THE 1980'S

I am delighted to be with you today. I note that the theme of your convention this year is "Thinking Internationally - A Time to Reach Out." I think it is particularly fitting that you have chosen to meet in Hawaii, for if you are determined to reach out, there can be no better place to reach toward than the Pacific region. Our future, I am convinced, lies in the Pacific, just as surely as for the past for several hundred years it belonged to the Atlantic region. I believe that one day, America and the other nations clustered along the shores of the Pacific will be as neighbors along a lake, a closely interwoven community sharing common interests and common goals. Today we are in the middle of the lake that holds our future. While there are difficulties ahead, there are also magnificent opportunities.

A survey of what is happening in the Pacific region is instructive and heartening. After thirty years of estrangement from China and its quarter of the world's population

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we now enjoy good relations and are getting on with the business of getting along with China. Our relations with Korea have recovered from what came to be known as "Koreagate," and we stand ready to support Korea during its present period of political transition and beyond. While war and refugee flights dominate the news from Southeast Asia, the real news is the quiet growth and development of ASEAN and its member governments. Their progress demonstrates that stability and prosperity, rather than endless war, lie ahead for Southeast Asia.

A consideration of economic conditions is also quite heartening, for in the last decade we have seen great economic progress in Asia. The average rate of real growth of GNP from 1970 through 1978 was about 7.4 percent for the ASEAN countries, 8.3 percent for Hong Kong, 8.8 percent for Taiwan and 10.6 percent for the Republic of Korea. During that time Japan's rate of real growth was 6.2 percent. U.S. exports to the countries of East Asia have expanded more rapidly than the rate of growth of U.S. exports to the world as a whole. In 1978, U.S. exports to the ASEAN nations were 3.4 times what they were in 1972. Exports to Hong Kong rose by a factor of 3.3, to Korea by 4.3, to Taiwan by 3.7 and to Japan by 2.6. Our two-way trade with Japan and East Asia was \$42 billion in 1975; in 1979 it was \$93.6 billion and the trend is up. For the

past three years the return on U.S. investment worldwide has been 14.5%; in Japan and East Asia the return has been 18 percent and the trend is up.

High petroleum costs no doubt will dampen economic progress in those Asian countries which do not produce oil. Nonetheless, the future of the region remains promising. Indonesia and Malaysia, of course, have deposits of oil and other minerals to help finance further industrial development. Thailand and Australia are also developing significant new energy resources. Most countries of the area are blessed with energetic populations and governments which have proved adept at economic management. Finally, after years of near autarky, China is re-entering the international economy. We should harbor no illusions about the Chinese market: China is still a relatively poor country with a per capita GNP of less than \$500 and limited foreign exchange. Nevertheless, it is encouraging that China is establishing the legal and commercial bases for economic expansion. I expect China increasingly to seek foreign investment in light industries -- to provide employment and improved living standards -- and to invest state capital in the modernization of its infra-structure and heavy industry. From all reports China, limited by a shortage of foreign exchange, will execute its development plans cautiously and deliberately. The United States, Japan and Western

Europe have a great deal to contribute to China's modernization effort, and a major stake in its success.

While public attention in the United States tends to focus on China, it is Japan, of course, which remains our major partner in the region. Our partnership in all its aspects -- economic, political and security -- is more vital than it has ever been. Japan today is the keystone of our position in Asia.

Our close economic relations with Japan, by far our largest overseas trading partner, are complex and sometimes difficult. This was the case in 1977 and 1978 when large Japanese global current account surpluses, U.S. global current account deficits, a heavy imbalance in bilateral trade, the Multilateral Trade Negotiations, color TVs, steel and a number of U.S. trade complaints coincided, resulting in a period of harsh acrimony. But we have emerged from this period with our trade ties, and our friendship, intact. While the United States still has a deficit in bilateral trade with Japan, U.S. exports to Japan increased by 22 percent in 1978 and by 36 percent in 1979. In 1979 Japan recorded a current account deficit of 8.6 billion due in significant part to higher petroleum prices.

The Japanese Government cooperated greatly in resolving the economic issues between our countries. In 1978 and 1979, it used fiscal policy to stimulate the

economy and induce increased consumption of imports. At the same time it unilaterally cut tariffs on 318 items, removed quota controls on 12 products and increased beef, citrus juice, and orange quotas. Japan initialled the codes negotiated in the MTN and agreed to tariff reductions. When those are implemented, they will leave Japan's average tariff at a level slightly lower than those of the United States, Canada, or the European Community. Since the end of the MTN, we and the Japanese have also initialled an understanding on product standards.

I believe both Japan and the United States have learned some important lessons during the last two years: both found that the exchange rate mechanism works. With a time lag, the yen appreciation in 1978 dampened the growth in Japanese exports and led to a surge in U.S. exports to Japan. U.S. businessmen discovered that the Japanese market was not as closed as they had supposed, and that it will be still more open after the implementation of the MTN package. Both governments came to recognize that coordination of economic policies is necessary and can be effective. Finally, that experience demonstrated the essential commitment of the Japanese government to the free trading system and the proposition that to export Japan must import. In the joint communique issued following Prime Minister Ohira's visit to Washington last May, he affirmed that it was the policy of Japan "to open Japan's markets to foreign goods, particularly manufactured

goods" -- a recognition that Japan is an integral member of the international trading system, and an affirmation that Japan intends to cooperate with the other major trading countries for the good of all.

Some continue to assert that Japan's is a closed market. This is most certainly not the case. While access remains a problem for a number of agricultural commodities and for a few manufactured products like cigars and cigarettes and telecommunications equipment, the market is relatively free of trade barriers.

Access to Japan's market for textiles, except silk, a traditional product, is unimpeded by quotas. Moreover, tariffs are relatively low. Japan's production of textiles and apparel has been nearly static in recent years, while imports of those products rose quite sharply. U.S. exports to Japan of clothing and textile yarns and fabrics climbed from \$77.2 million in 1977 to \$195.9 million in 1979. During the same time U.S. imports of clothing and textile yarns and fabrics from Japan declined from \$611.9 million to \$556.6 million. As you know, Japan's textile exports to the United States were the cause of the first great trade wrangle between the two countries. They are not likely to be the source of dispute in the future as the Japanese industry probably will decline in size. Moreover, our

two governments have learned something in the last ten years about how to deal with these periodic trade problems -- we get results, but without acrimony.

In parallel with the growth and development of our economic relations with Japan, we have seen some major changes in our political and strategic relationship. Our security relationship with Japan is crucial to the peace and stability of the Pacific and the entire East Asian region. Japan is the region's strongest economy, the U.S.'s most populous and industrially capable ally, and it exerts considerable economic, cultural and diplomatic influence in the region.

Japan's experience in the 1930s with military rule and World War II left Japan with an anti-militarist legacy which gave rise to the so-called "Peace Constitution" which made Japan profoundly wary of any recrudescence of the martial spirit. One result of all this, and of the post-war relationship between Japan and the U.S., was an inclination on the part of many Japanese to assume that there was no real threat to Japan and a tendency to ignore or suppress the issue of whether Japan needed a real military force of its own. In brief, no national consensus existed on national security.

During the Korean War, it became apparent to the Japanese that this was not a realistic course, and in recent years attitudes have changed dramatically. A

number of factors, including the steady growth of Soviet power, increased Japanese self-confidence, vast improvement in Japanese (and our) relations with China, and that neighbor's benign attitude towards the U.S.-Japan security relationship have fostered a more realistic Japanese stand towards security and military affairs. For all of these reasons the Japanese are moving towards a consensus on their defense policies. About 86 percent of those polled a year ago favored the continued existence of the Self Defense Forces, a contrast to less than 50 percent in the late 1960s. In addition, only 13 percent opposed the U.S.-Japan security treaty, a dramatic change from two decades ago when opposition to that treaty touched off widespread riots.

What has this all meant in terms of Japan's own defenses and the U.S.-Japan security relationship? Well, we have seen Japan expand its defense spending an average 8 percent annually over the past ten years. The country is moving steadily to modernize its Self Defense Forces: about 24.4 percent of the budget is devoted to equipment procurement. Within

the next few years, Japan will be flying the U.S.-designed F-15, the world's most advanced fighter plane. Japanese Lockheed P-3Cs ASW aircraft will guard their sea lanes, working compatibly and effectively with American counterparts who fly the same aircraft and use the same equipment. And Japan is undertaking an ambitious shipbuilding and modernization program; by 1985 the Japanese fleet will total some 60 destroyers and frigates and 16 submarines.

U.S.-Japan military cooperation has grown closer and increased significantly over the past year. Joint U.S.-Japanese military planning for active defense cooperation is vigorously under way and our respective air and naval forces have exercised with each other on almost a monthly basis. This month Japan participated for the first time in RIMPAC-80, a naval exercise off Hawaii involving U.S., Australian, Canadian, and New Zealand units. Our military people have the highest regard for the dedication and professionalism of their Japanese colleagues.

The Japanese have also moved to share the cost of maintaining U.S. forces in Japan: they now pay close to three-fourths of a billion dollars annually for this purpose.

Nevertheless, some constraints remain to a vastly expanded Japanese military role. The country's aversion to nuclear weaponry remains strong: Japan continues to

foreswear the possession, manufacture, or presence of nuclear weapons. Its popular "peace constitution," supported by some 82 percent of those polled, will inhibit the dispatch of military forces overseas and Japan thus continues to eschew any regional military role. The GOJ policy of forbidding the export of weaponry commands wide popular support.

We anticipate that Japan, like other key allies, will continue to undertake steady, significant increases in defense spending over the coming years, but it should make and will make its own decisions in this regard. We have sought to explore concrete ways to enhance our mutual security through our joint military planning process and expect that any greater Japanese effort will be keyed to these consultations.

In recent months the crises in Iran and Afghanistan have been focal points in our relations with Japan as with our European allies. In both these crises, Japan has proven a very good friend indeed.

With regard to Iran, Japan has participated fully in the joint international effort to get the message to Tehran on the absolute necessity for release of our hostages. There have been very helpful statements by the Prime Minister and other Japanese leaders; restraint in Japanese trade with Iran; and an admirable courage in the face of some not-too-subtle pressures to break ranks with us on this

issue. Although no one can foresee the shape of future developments in Iran, I am sure the Japanese will remain stalwart in any contingency.

As to Afghanistan Prime Minister Ohira has pledged that the Japanese Government would work closely with the United States and other friendly nations to take appropriate measures in response to the Soviet invasion, even if sacrifices were involved. We have consulted closely with Japan, as with our European allies, concerning a unified and effective Western response to the Soviet Union, and Japan's role has been constructive and effective.

Japan has also taken a stand on the Moscow Olympics. In a February 1 statement the Japanese Government reminded the Japan Olympic Committee that the aim of the Olympics is to build a more peaceful world through sports, and expressed the government's serious concern about the Soviet intervention in Afghanistan in this context. The Japanese Olympic Committee, like its American counterpart, is an independent organization, but the Japanese Government has done as much as any of our allies to make its people and its national Olympic organization aware of the political implications of participation in the games in Moscow this summer.

Our ties with Japan are strong and durable. They are the essential underpinning of our Pacific-Asian policy now,

and they will remain so in the future. They will set the stage and the example for what I expect will be an unprecedented flourishing of the entire Pacific region in the 1980's.

During this decade the markets of this region will prove dynamic and profitable to the well-prepared. American businessmen can be competitive, and for the good of our country, they must be. To take advantage of the opportunities offered, American firms must make frank appraisals of their strengths, build the most modern plants, and sell their products aggressively. They must undertake the necessary feasibility studies and market surveys. As I have mentioned, U.S. exports to Japan of clothing and textile yarns and fabrics grew by 154 percent from 1977 to 1979. Exports of these products to the rest of East Asia in the same time rose from \$99.8 million to \$183 million, an increase of 83 percent. These are impressive increases which give hope of yet greater sales of U.S. textiles to East Asia.

In addition to a brisk commerce, we can expect in the 1980s to find increasing cooperation among Pacific nations on matters of vital concern to all the world: on energy production and conservation, on relieving the suffering of refugees, on preserving balance and stability in the world economy, on equitably addressing issues raised in the North-South dialogue, and on preserving world peace.

The world has become smaller, and its problems more complex, and the need together to find solutions

to those problems will in the 1980s draw the nations along the perimeters of the Pacific into an ever closer community.

A glance at the headlines underscore that these are contentious times, for the Pacific and the world. Many nations, ours obviously included, are confronted with severe inflation. All have to cope with alarming increases in energy costs. Events in Iran and Afghanistan have reminded us that reason, rationality, and fair play are qualities only selectively honored by many countries, and they threaten the very foundation of our world order. Vietnam, aided by the Soviet Union, continues its aggression against Cambodia, and Indochina continues to be unbearable for many of its people, who seek escape as refugees. Uncertainty, fear, hostility are as commonplace as they have ever been.

But these are not impossible times, and we are hardly powerless. Our position is strong, globally and particularly in this region, and in my judgment it is still improving. We sometimes forget that in the Pacific we are in friendly territory. We are a welcome presence in the area and a valued participant in its affairs. I would add that these are advantages the Soviet Union conspicuously lacks. If challenges loom large, so in my judgment does our capacity to meet those challenges. In some matters, particularly at home, we may have to trim our expectations and set more

realistic goals -- I believe, for example, that we must give up any notion that we can continue to enjoy unlimited economic growth. In other respects our goals need to be more bold in attacking our energy problems and in fighting inflation. In this connection, I am very heartened by President Carter's recent decision to deal squarely and decisively with our economic difficulties, and I think the measures he has announced will succeed -- even though some of the medicine will hurt. We Americans have been challenged many times in the past and, with determination and effort, have succeeded in meeting those challenges. I am confident we will do the same and that a major share of the success will result from a greater level of cooperation with the nations of the Pacific Basin.

Without doubt this decade will be demanding and complex, but the Pacific community will cope with its challenges and will emerge successful. In so doing, it will command the world's attention and help steer the world's future. Gradually, inevitably, the Pacific region will come to lead the world -- and this vast ocean around us will come to be considered the lake at the center of the nations that are the center of the world.

It is out here -- in the Pacific and East Asia -- where you have the people, the resources, the markets and the friendly governments. It is out here where it all is and what it is all about.

This is the future.

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OUR ASIA PACIFIC RELATIONS IN THE 1980'S

I am very pleased to be with you this morning in Kauai, and I thank you for inviting me to join you. I note that the theme of your convention this year is "Thinking Internationally - A Time to Reach Out." In that case I think it is particularly fitting that you've chosen to meet in Hawaii, for if you're determined to reach out, there can be no better place to ^{do so} reach ^{to} than the Pacific region. The future, I am convinced, lies with the Pacific region just as surely as the past ^{for} several hundred years belonged to the Atlantic region. Someday America and the other nations clustered along the shore of the Pacific will be as neighbors along a small lake, a closely interwoven community sharing common interests and goals. This morning we are in the middle of that ^{little} lake ^{that holds our future}.

Yet these days it is difficult to imagine ^{the} future ^{of that lake} being very bright. Alarming increases in energy costs and an inflation rate without precedent lead one to question whether America can remain a prosperous nation. Events in Iran have damaged our prestige and left us bewildered, with our 50 people still not free, ^{and} the Soviet invasion of Afghanistan threatens the very foundation of our world order. Vietnam, aided by the Soviet Union, continues its aggression against Cambodia and threatens Thailand. Refugees continue to pour out of Southeast Asia. Korea is in ^{a delicate} ^{precarious} transit, ^{if mention at all} from the era of Park Chung Hee to a new era whose basic outlines ^{still} ^{are} not known. And I note with much alarm reports that poison gas has been used in Afghanistan and Cambodia,

thus bringing again to the world a horrible kind of warfare I thought we were rid of forever when I took off my uniform at the end of World War I. Clearly no one could call these good times.

But neither are they impossible times, and we are not really powerless. We must trim back our expectations and set realistic goals --I believe, for example, that we must give up any notion that we can continue to increase our economic growth without end. . . . I am much heartened by President Carter's recent decision to deal squarely and decisively with our economic problems, and I still think that in general there is reason for some optimism, as long as we are willing to be courageous. Charles Darwin, in thinking on the many things he had discovered about the biological world, wrote that "Progress has been much more general than retrogression." I think that will continue to be the case for the world as a whole and for the Pacific region especially. We will manage to get through our hard times, and we will make progress.

There are, after all, some bright spots on the horizon too, and a quick look at what's right in the Pacific region should restore ~~some~~^{our} hope. After thirty years of estrangement from China and its ^{nearly one} quarter of the world's population we now enjoy good relations and are getting on with the business of getting along with China. Our relations with Korea have largely recovered from the trauma of Koreagate and we now stand ready to support Korea during its difficult transition period. And while there still are refugees coming out of Southeast Asia, our Government recently decided to accept 168,000 of them yearly

into the United States, thus demonstrating^{ASAIN} the essential decency of the American people. Our relations with the ASEAN nations -- Thailand, Indonesia, Malaysia, Singapore and the Philippines -- have matured and grown stronger, providing a bulwark against future Soviet expansion in that part of the world.

A consideration of economic conditions is also quite heartening, for in the last decade we have seen great economic progress in Asia. The average rate of real growth of GNP from 1970 through 1978 was about 7.4 percent for the ASEAN countries, 8.3 percent for Hong Kong, 8.8 percent for Taiwan and 10.6 percent for the Republic of Korea. During that time Japan's rate of real growth of GNP was 6.2 percent. U.S. exports to the countries of east Asia have expanded at a rate greater than the rate of growth of U.S. exports to the world. In 1978, U.S. exports to the ASEAN nations were 3.4 times what they were in 1978. Exports to Hong Kong rose by a factor of 3.3, to Korea by 4.3, to Taiwan by 3.7 and to Japan by 2.6.

High petroleum costs no doubt will dampen economic progress in the Asian countries which do not produce oil. Nonetheless, the future of the region remains promising. Indonesia and Malaysia, of course, have deposits of oil and other minerals to help finance further industrial development. Other countries are blessed with energetic populations and governments which have proved adept at economic management. Finally, after years of near autarky, China is reentering the international economy. But we should harbor no illusions

about the Chinese market! China is a relatively poor country with a per capita GNP of less than \$500 and limited foreign exchange. Nonetheless, it is encouraging that China is establishing the legal and commercial bases for economic expansion. Observers expect ~~the CHINA~~ to seek foreign investments in light industries to provide employment and improved living standards, and to invest state capital in the modernization of the infrastructure and heavy industry. From all reports China, limited by a shortage of foreign exchange, will execute its development plans cautiously and deliberately.

Japan, of course, remains the United States' major economic partner in Asia. In 1979 U.S. exports to Japan exceeded those to the ASEAN countries, Hong Kong, Taiwan and Korea combined. The close economic relations between the United States and Japan sometimes result in abrasion. This was the case in 1977 and 1978 when large Japanese global current account surpluses, U.S. global current account deficits, a heavy imbalance in bilateral trade, the Multilateral Trade Negotiations, and a number of U.S. trade complaints coincided, resulting in a period of harsh acrimony. But we have emerged from this period. While the United States still has a deficit in bilateral trade with Japan, U.S. exports to Japan increased by 22 percent in 1978 and by 36 percent in 1979. In 1979 Japan recorded a current account deficit of 8.6 billion due in significant part to higher petroleum prices.

The Japanese Government cooperated greatly in resolving

the economic issues between our countries. In 1978 and 1979, it used fiscal policy to stimulate the economy and induce increased consumption of imports. At the same time it unilaterally cut tariffs on 318 items, removed quota controls on 12 products and increased beef, citrus juice, and orange quotas somewhat. Japan initialled the codes negotiated in the MTN and agreed to tariff reductions which, when implemented, will leave Japan's average tariff at a level slightly lower than those of the United States, Canada, or the European Community. Since the end of the MTN, we and the Japanese have initialled an understanding on product standards.

I believe both Japan and the United States both have learned lessons during the last two years. Both found that the exchange rate mechanism works. With a time lag, the yen appreciation in 1978 dampened the growth in Japanese exports and led to a surge in U.S. exports to Japan. U.S. businessmen discovered that the Japanese market is not as closed as they had supposed and that it will be still more open after the implementation of the MTN package. Both governments found coordination of economic policies is necessary and that it can be effective. Finally, I believe that many in the Japanese Government concluded that Japan is well served by the free trading system and that to export it must import. In the joint communique issued in Washington in May, Prime Minister Ohira affirmed that it is the policy of Japan "To open Japan's markets to foreign goods, particularly manufactured goods." This, it seems to me, reflects a recognition that Japan, as one of the three major economic powers, is integrated into the international trading

system, and that Japan ^{intends to} ~~will~~ cooperate with the other major trading countries for the good of all.

Some continue to assert that Japan's is a closed market. This is most certainly not the case. While access ~~XXXXXXXXXXXXXXXX~~ ^(and we have an overall trade surplus of some \$4 billion in agriculture) remains a problem for a number of agricultural commodities and for a few manufactured products like cigars and cigarettes and telecommunications equipment, the market is relatively free of trade barriers. In a 1979 study, the Arthur D. Little Company found that less than \$2.7 billion of the United States' total \$11.8 billion exports to Japan were in any way affected by non-tariff impediments.

Access to Japan's market for textiles, except silk, a traditional product, is ^{unimpeded} ~~impeded~~ by quotas. Moreover, tariffs are relatively low. Japan's production of textiles and apparel has been nearly static in recent years, while imports of those products rose quite sharply. U.S. exports to Japan of clothing and textile yarns and fabrics climbed from \$77.2 million in 1977 to \$195.9 million in 1979. During the same time U.S. imports of clothing and textile yarns and fabrics from Japan declined from \$611.9 million to \$556.6 million. As you know, Japan's textile exports to the United States were the cause of the first great trade wrangle between the two countries. They are not likely to be the source of dispute in the future as the industry probably will decline in size.

Thus economic relations between Japan and the U.S. have improved markedly in recent years. Parallel with this has been a great improvement in our political and strategic relationship with Japan.

For a long time after World War II Japan avoided building a serious military force. The Japanese rightly judged that the U.S. wanted it that way, and so ^{they} set themselves instead to the task of rebuilding their economy. But times have changed: Soviet power in the Pacific has increased, China has made it clear that it is comfortable with the idea of a ^{Japan adequately} modestly armed ^{for self-defense,} Japan, self-confident the Japanese themselves have become more/~~self-reliant~~ and less reliant on us, and of course, we have come to feel we need help in providing for the security of the Pacific region. Accordingly, the Japanese people have come to agree now that a certain degree of military strength for Japan is natural and legitimate. According to a public opinion poll taken last year 86% of the Japanese people now favor the continued existence of the Self Defense Forces, compared with less than 50% in the late 1960's.

This changed attitude has resulted in a much closer and more cooperative defense relationship with the U.S. Two years ago we agreed on new guidelines for defense planning that enable us to plan very closely with the Japanese to insure best use of our resources. Japan is committed to modernizing its forces and insuring interoperability with ours by procuring from us sophisticated weapons systems such as the F-15 interceptor, the P3C anti-submarine aircraft, and the E2C early warning aircraft. During the last ten years, Japan has increased its defense spending almost

8 percent annually. And while Japan is sometimes criticized for spending less than 1% of its GNP on defense, the fact is that by employing standard NATO methods of computation, we find that Japan is actually spending ^{over 190} 1.56% of its GNP on defense. And since Japan's is a trillion dollar GNP, the actual total sum spent is enormous, about \$ _____, making Japan seventh in the free world in defense spending. Note, too, that part of that spending is 3/4 billion dollars every year to offset the cost of maintaining U.S. troops in Japan. Far from receiving the "free ride" so talked about a few years back, Japan is now acting in tandem with us as a true partner in defense matters. And we continue to maintain an active and fruitful dialogue on defense matters to insure that defense expenditures remain adequate in the future.

In recent months the crises in Iran and Afghanistan have rigorously tested the strength of Japan's friendship for us, and I am happy to say that in both cases Japan has proven a very good friend indeed.

With regard to Iran, Japan has participated fully in the joint international effort to get the message to Tehran on the absolute necessity for release of our hostages. There have been very helpful statements by the Prime Minister and other Japanese leaders; restraint in Japanese trade with Iran; and an admirable courage in the face of some not-too-subtle pressures to break ranks with us on this issue. Although no one can foresee the shape of future developments in Iran, I'm sure the Japanese will remain stalwart in any contingency.

I was particularly struck by Prime Minister Ohira's recent

comments before the Japanese Diet, condemning the Soviet invasion of Afghanistan. He pledged that the Japanese Government would work closely with the United States and other friendly nations to take appropriate measure in response to Soviet actions, "even if sacrifices were involved." We have consulted closely with Japan, as with our European allies, concerning a unified and effective Western response to the Soviet Union, and Japan's role has been constructive and effective.

Japan has also taken a stand on the Moscow Olympics. In a February 1 statement the Japanese Government ~~xxxx~~ reminded the Japan Olympic Committee that the aim of the Olympics is to build a more peaceful world through sports, and expressed the government's serious concern about the Soviet intervention in Afghanistan in this context. The Japanese Olympic Committee, like its American counterpart, is an independent organization, but the Japanese Government has done as much as any of our allies to make its people and its ~~xxxx~~ national Olympic organization aware of the political implications of participation in the games in Moscow this summer.

In all of these instances Japan has stood firmly with us, a true friend.

America's friendship with Japan, then, is of proven durability, ^{this Friendship} and forms the basic foundation for security and prosperity in the Pacific region. I have no doubt, in spite of the events of recent months, that this special friendship we share with Japan will set the stage for an unprecedented flourishing of the entire Pacific region in the 1980's.

Thus I expect during this decade that the markets of this

region will prove dynamic and profitable to the well-prepared.

→ American businessmen can be competitive, and for the good of the country, they must be. To take advantage of the opportunities offered, American firms must make frank appraisals of their strengths, build the most modern plants, and sell their products aggressively. As I have mentioned, U.S. exports to Japan of clothing and textile yarns and fabrics grew by 154 percent from 1977 to 1979. Exports of these products to the rest of east Asia in the same time rose from \$99.8 million to \$183 million, an increase of 83 percent. These are impressive increases which give hope of yet greater sales of U.S. textiles to east Asia.

In addition to this brisk commerce, we can expect in the 1980's to find increasing cooperation among Pacific nations on matters of vital concern to all the world: on energy production and conservation, on relieving the suffering of refugees, ^{on} preserving balance and stability in the world economy, on equitably addressing issues raised in the North-South dialogue, ~~on~~ preserving world peace.

The world has become smaller, and our problems much knottier, and the need to huddle together to find solutions to those ^{will} problems/in the 1980's draw the nations along the shore of the Pacific into ever closer community.

Without doubt this decade will be demanding and complex, but the Pacific community will be the source of more of this decade's success stories than its failures. The region will flourish, will command the world's attention and help steer the world's

future. Gradually the Pacific region will come to lead the world and this vast ocean around us will come to be considered the lake at the center of the nations that are the center of the world.

The Pacific region is the future.